

PREPARING THE ANNUAL STATEMENT

2007

Commission Members

- The Honorable Domenic J. F. Russo
Chairman
- The Honorable A. Joseph DeNucci
Auditor of the Commonwealth
Vice Chairman
- The Honorable Deval Patrick
Governor of the Commonwealth
- The Honorable Paul V. Doane
Executive Director
Arkansas Teacher Retirement System
- Kenneth J. Donnelly
Lieutenant (Retired)
Lexington Fire Department
- James M. Machado
Sergeant
Fall River Police Department
- Donald R. Marquis
Former Town Manager, Arlington
- Joseph E. Connarton
Executive Director

Audit Unit Staff

- Harry Chadwick
Western Chief Auditor
- Bob Madison
Senior Auditor
- Richard Ackerson
Auditor
- Martin J. Feeney
Auditor
- Carol M. Niemira
Auditor
- James M. Ryan
Auditor
- James T. Sweeney
Auditor
- James F. Tivnan
Auditor

You may leave messages for any member of PERAC's Audit Staff at telephone extension 924 in our Somerville offices.



Commonwealth of Massachusetts
Public Employee Retirement Administration Commission
Five Middlesex Avenue, Suite 304 | Somerville, MA 02145
ph 617 666 4446 fax 617 628 4414
tty 617 591 8917 web www.mass.gov/perac

Preparing the **Annual Statement** for the year ended **12.31.2007**

Contents

▶ Instructions	1
▶ Chart 1: The Annual Statement Preparation Process	4
▶ Ledger Accounts	5
▶ Pre-Closing Trial Balance	7
▶ Chart 2: Pre-closing Trial Balance Report	8
▶ Year End Adjusting Journal Entries	11
▶ Chart 3: Trial Balance Report	13
▶ Year End Closing Entries	16
▶ Annuity Reserve Interest Calculation	18
▶ Chart 4: Post-closing Trial Balance Report	19

Instructions

Annual Statement Submission Date

The Annual Statement forms for 2007 must be completed, signed, and returned to the Public Employee Retirement Administration Commission by May 1, 2008.

December Cashbook and Pre-closing Trial Balance Submission Date

To ensure that all accounting is current, all retirement boards must submit their December Cashbook and Pre-closing Trial Balances to PERAC by February 28, 2008. If your board is having difficulty adhering to this deadline, please contact the PERAC Audit staff at extension 924.

PERAC Auditors

A PERAC auditor will be assigned to work with each retirement board to provide technical assistance as needed.

Reminders

Market Value of Investments

All investments are to be adjusted to their current fair market values. The fair value of investments is based on the published market prices and quotations at current exchange rates. Gains and losses on investments sold are recognized on the difference between the previous period closing market value and the price realized upon the sale. The increase or decrease between the current market value and the previous period closing market value is an unrealized gain or loss.

The value of certain holdings in real estate, alternative investments, (including private equity, absolute return investments, high yield bonds, and derivatives such as hedge funds, foreign currency contracts, interest rate swaps) cannot be readily determined since no current ascertainable market value exists. In these categories, fair market value is largely determined by estimates and judgments communicated by their management. These values could differ significantly from the ultimate proceeds obtained upon liquidation of these investment positions.

Short-term Investments

Short-term investments are those maturing within one year of the report date. They should be itemized on Schedule No. 2. They generally represent U. S Treasury Bills, Commercial Paper, agreements to repurchase securities sold, Certificates of Deposit, other term deposits, money market accounts, shares in cooperative institutions or savings and loan institutions. The redemption of these investments is contingent upon certain circumstances which, while seldom enforced, could result in some delay in receipt of the proceeds upon liquidation.

Schedule A

Please assign a date to all values listed as Accounts Receivable and Accounts Payable in Schedule A. This will allow the reader to make an informed judgment as to the eventual payment and recovery of these items. Do not forget to consider carryover balances in these categories. The total reported for each category on this page must equal the amount disclosed on line #19 and #20 on page 2.

Supplementary Schedule

Members Balances in the Annuity Savings Account

We are now formally requesting that you provide us with a complete supplemental schedule for members' Annuity Savings Fund activity for the year. Previously, there was confusion about whether this information was required. Due to an increase in the number of audit findings related to differences between the ASF balances on the Supplementary Schedule and the ending general ledger ASF balances, the Supplementary Schedule with details of members' activity for the period is now a formal requirement.

Annual Statement Balance Tests

#4. Fund Change Difference

The new calculation requires you to add all Credits allowed as a result of Interfund Transfers to the

Total Receipts number. Similarly, you are required to add all Debits allowed as a result of Interfund Transfers to the Total Disbursements number. The difference should result in the same number calculated in the previous tests. The new calculation will result in increased confidence in the reliability of the numbers collected and disclosed in this Annual Statement.

Signature Page

Please specifically identify the board member who is currently serving as the Chairperson. Include their title next to their typed name.

Specific Requirements

Completion of the Appendix

Please be sure to complete the Appendix to the Annual Statement that includes the plan description (page 1), significant accounting policies (page 2), and actuarial information (page 3). Please examine these pages carefully and change any wording that does not apply to your system. The last page of the Appendix must include actuarial information based on your system's actuarial valuations. Please enter information from your last 3 valuations in the Schedule of Funding Progress. Additionally, you must attach a copy of your most recently approved funding schedule. If you need assistance to complete the actuarial information, please contact this office.

Schedules 1-6

If you submit Schedules 1 through 6 from a custodian and the schedules are not complete or in the prescribed format, you must include the totals on PERAC's schedules and make page references to the custodial statement. Please be sure that all schedules include totals, and that these amounts agree with the corresponding amounts on your Annual Statement and general ledger.

Steps to Complete the Annual Statement for 2007

Step One

Prepare a pre-closing General Ledger.

Step Two

Prepare a pre-closing Trial Balance. Keep a permanent record for your file.

Step Three

Prepare a Cash Reconciliation utilizing bank statements for cash accounts as of December 31, 2007.

Step Four

Complete the Supplementary Schedule

- A. The beginning balance in the Annuity Savings Fund for 2007 must equal the ending balance at December 31, 2006.
- B. Total deductions for 2007 must equal the totals in December General Ledger Accounts #4891, #4892, and #4893.
- C. Use the published interest rate of 0.6% for 2007 (PERAC Memo #7/2007). Credit with interest all member accounts that carried balances as of December 31, 2006 and were not refunded, transferred, or retired.
- D. Determine transfers to other systems (#5756) and refunds to members (#5757).
- E. Transfer current year retirements from the Annuity Savings Fund to the Annuity Reserve Fund.
- F. Make transfers to the Pension Fund for Section 12B items.
- G. Transfer to the Pension Reserve Fund all account balances that have been inactive for more than ten years and any interest not refunded (#4822).
- H. Completion of all steps listed (A-G) lead to the ending balance at December 31, 2007.

Step Five

Calculate the Annuity Reserve Fund interest by multiplying the balance in the Fund at the end of each month by .0025. Begin with the balance as of **December 31st of last year**, and use the balance in the Fund at the end of each month through **November 30th**.

Step Six

Complete the Investment Schedules. (It is important to remember investments that were traded in 2007 but not settled until 2008 must be included in the 2007 Annual Statement.) Offset entries can be made to Accounts Receivable or Accounts Payable.

- A. Determine the accrued interest.
- B. Adjust all investments to market value as of December 31st.
- C. Determine the current year investment income.

Step Seven

Obtain investment manager reports for year ending December 31, 2007 to complete Schedule 5 of Pooled Funds. If not available within a reasonable time frame, use the latest available and so notate.

Step Eight

Determine Accounts Receivable and Accounts Payable and make appropriate Journal entries. All receivables and payables must be listed on Schedule A of the Annual Statement. Pay particular attention to carryover amounts included in the general ledger balance.

Step Nine

Next, make the adjusting entries as indicated in the Year End Adjusting Entry Section of this guide on pages 11 and 12.

Step Ten

Prepare an Adjusted ("Before Closing") Trial Balance. You can enter the appropriate figures into the *Annual Statement* by using the "before closing trial balances." Complete Investment Income (*Annual Statement*, page 6) first. Next, complete Receipts (*Annual Statement*, page 4) and Disbursements (*Annual Statement*, page 5), using the balances before closing, with the following exception: Use the amounts from the bottom of Investment Income (*Annual Statement*, page 6) for Receipts (*Annual Statement*, page 4, 1(e), 2 (a), 4(b), 5(b), and 6(e)).

Step Eleven

Complete Statement of Fund Balances (*Annual Statement*, page 3) next; enter the Ending Balances from last year for the Beginning Fund Balances. Next, take the totals of the Receipts and Disbursements for each Fund from *Annual Statement*, pages 4 and 5. List interfund transfers on the bottom half of *Annual Statement*, page 3. Include both the interfund transfers made during the year, and those made at the end of the year. Do not treat interest refunded as an interfund transfer. It should be noted as a Receipt on *Annual Statement*, page 4, line 6c. You must lump together all items of the same nature. For example, all transfers from the Annuity Savings Fund to the Annuity Reserve Fund made on account of retirement must be listed as one total. Finally, by adding the Beginning Balance to the Receipts and interfund transfers (if negative amount, subtract), and subtracting the Disbursements, you will have the ending balance for December 31st.

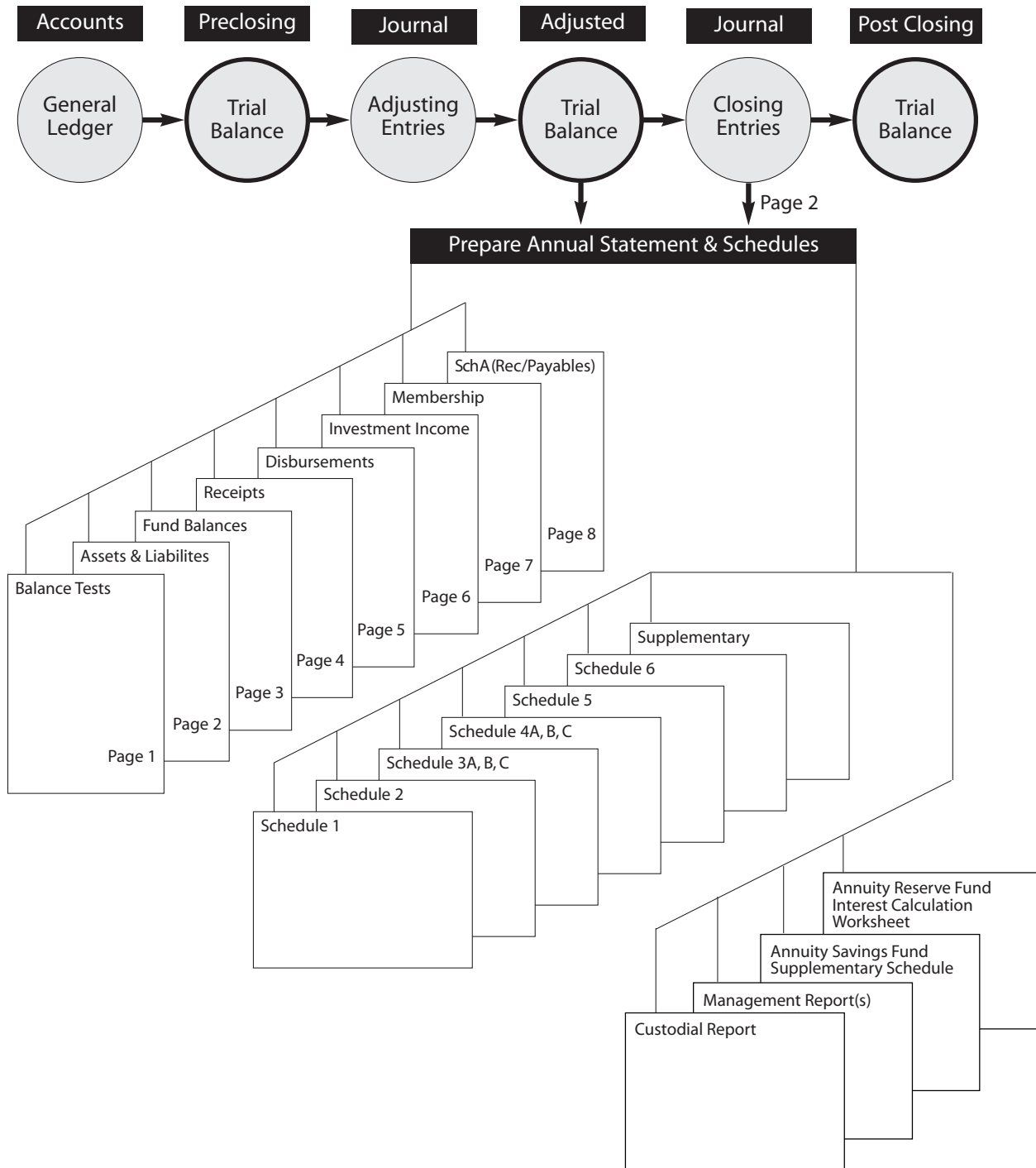
Step Twelve

Next, make the closing entries as indicated on pages 16 through 17 of this guide. The fund balances must agree with balances on the Statement of Fund Balances (*Annual Statement*, page 3). If they do not, then there is a problem that you must correct.

Step Thirteen

Prepare a Post-closing Trial Balance. Please provide PERAC with a copy of your Pre-closing and Post-closing Trial balances.

Chart 1: The Annual Statement Preparation Process



Ledger Accounts

General Ledger

The general ledger is the final product of the year-end accounting cycle. The general ledger is the continuous record of entries made throughout the year to the specific asset, liabilities, and operating accounts. The general ledger is the official recorded document of the status of the retirement system's accounts. It must be an accurate and up-to-date reflection of assets and operating accounts.

Listing of Accounts

A listing of all Ledger Accounts follows. On this page, all the Control Accounts are listed. All Subsidiary Accounts and the fund to which each Subsidiary closes are included on the following page.

Control Accounts

Assets		Balance
1040	Cash (Bank Name and Acct. No.)	Debit
1041	Cash (Bank Name and Acct. No.)	Debit
1042	Cash (Bank Name and Acct. No.)	Debit
1043	Cash (Bank Name and Acct. No.)	Debit
1100	Short Term Investments	Debit
1180	Fixed Income Securities	Debit
1170	Equities	Debit
1101	Pooled Short Term Funds	Debit
1172	Pooled Domestic Equity Funds	Debit
1173	Pooled International Equity Funds	Debit
1174	Pooled Global Equity Funds	Debit
1181	Pooled Domestic Fixed Income Funds	Debit
1182	Pooled International Fixed Income Funds	Debit
1183	Pooled Global Fixed Income Funds	Debit
1193	Pooled Alternative Investments/Private Equity	Debit
1194	Pooled Real Estate Funds	Debit
1195	Pooled Domestic Balanced Funds	Debit
1196	Pooled International Balanced Funds	Debit
1198	PRIT Cash Fund	Debit
1199	PRIT CORE Fund	Debit
1398	Account Receivable	Debit
1550	Interest Due and Accrued	Debit
2020	Accounts Payable	Credit
Funds		
3293	Annuity Savings Fund	Credit
3294	Annuity Reserve Fund	Credit
3295	Special Fund for Military Service Credit	Credit
3296	Pension Fund	Credit
3297	Pension Reserve Fund	Credit
3298	Expense Fund	Credit

Subsidiary Accounts

Receipts		Balance	Close to
4891	Members Deductions	Credit	3293
4892	Transfers From Other Systems	Credit	3293
4893	Member Make Up Payments and Redeposits	Credit	3293
4900	Member Payments from Rollovers	Credit	3293
4898	3(8)(c) Reimbursements from Other Systems	Credit	3296
4899	Received from Commonwealth for COLA and Survivor Benefits	Credit	3296
4884	Realized Gain/Profit on Sale of Investments	Credit	4820
4885	Realized Loss/Loss on Sale of Investments	Debit	4820
4886	Unrealized Gain (Change in Market Value)	Credit	4820
4887	Unrealized Loss (Change in Market Value)	Debit	4820
4894	Pension Fund Appropriation	Credit	3296
4895	Pension Reserve Appropriation	Credit	3297
4896	Expense Fund Appropriation	Credit	3298
4897	Federal Grant Reimbursement	Credit	3297
4890	Contributions Received from Municipality on Account of Military Service	Credit	3295
4820	Investment Income - Control Account	Credit	3293
			3294
			3295
			3297
			3298
4821	Investment Income Received	Credit	4820
4822	Interest Not Refunded	Credit	3297
4823	Paid Accrued Interest on Fixed Income Securities	Credit	4820
4825	Miscellaneous Income	Credit	3297
Disbursements			
5757	Refunds to Members	Debit	3293
5756	Transfers to Other Systems	Debit	3293
5750	Annuities Paid	Debit	3294
5759	Option B Refunds	Debit	3294
5751	Pensions Paid	Debit	3296
5755	3(8)(c) Reimbursements to Other Systems	Debit	3296
5752	COLAs Paid	Debit	3296
5753	Chapter 389 Beneficiary Increase Paid	Debit	3296
5118	Board Member Stipend	Debit	3298
5119	Staff Salaries	Debit	3298
5308	Legal Expenses	Debit	3298
5309	Medical Expenses	Debit	3298
5310	Fiduciary Insurance	Debit	3298
5311	Service Contracts	Debit	3298
5312	Rent Expense	Debit	3298
5719	Travel	Debit	3298
5589	Administrative Expenses	Debit	3298
5599	Furniture and Equipment	Debit	3298
5304	Management Fees (Expense Fund)	Debit	3298
5305	Custodial Fees (Expense Fund)	Debit	3298
5307	Investment Consultant Fees (Expense Fund)	Debit	3298

Pre-closing Trial Balance

Each month, after all entries have been posted to the general ledger, a list should be made of all ledger accounts and their balances, with the debits listed in one column and the credits in another column. The total of all debits must equal the total of all credits.

The pre-closing trial balance summarizes all transactions that have occurred during the year. The pre-closing trial balance also updates previous balances in asset accounts with the activity that has been booked and reflects current year-end balances of those accounts.

The pre-closing trial balance on the next three pages represents sample Trial Balance totals for the full year up to this point in time.

Chart 2.1: Pre-closing Trial Balance Report as of December 31, 2007

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		<u>Debits</u>	<u>Credits</u>
Assets		\$	\$
Cash	1040-49	x	
Short Term Investments	1100	x	
Pooled Short Term Funds	1101	x	
Equities	1170	x	
Treasurers Management Trust	1171	x	
Pooled Domestic Equity Trust	1172	x	
Pooled International Equity Funds	1173	x	
Pooled Global Equity Funds	1174	x	
Fixed Income Securities (Market Value)	1180	x	
Pooled Domestic Fixed Income Fund	1181	x	
Pooled International Fixed Income Fund	1182	x	
Pooled Global Fixed Income Funds	1183	x	
Pooled Private Equity (Venture Capital)	1193	x	
Pooled Real Estate Funds	1194	x	
Pooled Domestic Balanced Funds	1195	x	
Pooled International Balanced Funds	1196	x	
Options	1197	x	
PRIT Cash Fund	1198	x	
PRIT Capital Fund	1199	x	
Accounts Receivable Control Account	1398	x	
Interest/Dividends Due & Accrued	1550	x	
Sub Totals			
Accounts Payable			
Accounts Payable	2020		x
Sub Totals			
Funds			
Annuity Savings Fund Control Account	3293		x
Annuity Reserve Fund	3294		x
Special Military Service Credit Fund	3295		x
Pension Fund Control Account	3296		x
Pension Reserve Fund Control	3297		x
Expense Fund	3298		x
Sub Totals			

Chart 2.2: Pre-closing Trial Balance Report as of December 31, 2007

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		Debits	Credits
Receipts			
Investment Income Control	4820		x
Investment Income Received	4821		x
Interest Not Refunded	4822		x
Paid Accrued Interest on Fixed Inc. Sec.	4823		x
Miscellaneous Income	4825		x
Profit on Sale of Investments	4884		x
Loss on Sale of Investments	4885	x	
Increase in Market Value (Unrealized)	4886		x
Decrease in Market Value (Unrealized)	4887	x	
Contrib. Rec'd for Military Service	4890		x
Members' Deductions	4891		x
Transfers from Other Systems	4892		x
Members' Make Up & Redeposits	4893		x
Member Payments From Rollovers	4900		x
Pension Fund Appropriation	4894		x
Pension Reserve Appropriation	4895		x
Expense Fund Appropriation	4896		x
Federal Grant Reimbursement	4897		x
3(8)(c) Reimbursement from Other Systems	4898		x
Received from Comm. for COLA & Sur.	4899		x
Sub Totals			
Disbursements			
Board Member Stipend	5118	x	
Staff Salaries	5119	x	
Management Fees	5304	x	
Custodial Fees	5305	x	
Investment Consultant Fees	5307	x	
Legal Expenses	5308	x	
Medical Expenses	5309	x	
Fiduciary Insurance	5310	x	
Service Contracts	5311	x	
Rent Expense	5312	x	

Chart 2.3: Pre-closing Trial Balance Report as of December 31, 2007

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		Debits	Credits
Administrative Expenses	5589	x	
Furniture & Equipment	5599	x	
Travel	5719	x	
Annuities Paid	5750	x	
Pensions Paid	5751	x	
COLAs Paid	5752	x	
Chapter 389 Beneficiary Increase Paid	5753	x	
3(8)(c) Reimbursement to Other Systems	5755	x	
Transfers to Other Systems	5756	x	
Refunds to Members	5757	x	
Option B Refunds	5759	x	
Sub Totals			
Subsidiary Accounts			
Regular Pension Payments	9001	x	
Survivorship Payments	9002	x	
Ordinary Disability Payments	9003	x	
Accidental Disability Payments	9004	x	
Accidental Death Payments	9005	x	
Section 101 Benefits	9006	x	
Other Pension - Non-Contributory	9007	x	
Cash Income	9010		x
Short Term Investments Income	9011		x
Fixed Income Securities Income	9012		x
Equities Income	9013		x
Mutual/Commingled R/E Fund Inc	9014		x
Mutual/Commingled Venture Cap	9015		x
PRIT Cash Fund Income	9016		x
PRIT Capital Fund Income	9017		x
Commission Recapture	9020	x	
Pooled Fund	9021	x	x
Invest Income Credited to Members Accts.	9030		x
Invest Income Credited Annuity Reserve Fund	9031		x
Invest Income Credited Military Service Fund	9032		x
Excess Investment Income	9033		x
Investment Income to Expense	9034		x
Pension Paid Subsidiary Control	9100		x
Investment Income Subsidiary Control	9110		x
Investment Income Subsidiary Control	9130		x
Prior Year Due and Accrued Control	9200		x
Prior Year Due and Accrued	9210		x
Sub Totals			
Grand Totals	\$	\$	

Year End Adjusting Journal Entries

Journal Entries

Journal entries are to be numbered consecutively and dated. An explanation should be provided for each entry. The debits and credits for each entry must equal. All journal entries must be posted to the appropriate ledger account in the general ledger.

Adjusting Journal Entries

Make adjusting entries to reflect activity such as unrealized gains and losses, and fund transfers. This activity must be documented to accurately reflect the status of operating accounts and transfers between funds. Such adjusting entries should be posted in the same month in which the activity, to which they relate, occurs. Adjusting entries must also be made to correct errors in previously booked activity.

To close out Interest Due and Accrued, as of the **previous** December 31st:

a	DEBIT Investment Income	(Ledger #4820)
	CREDIT Interest Due and Accrued on Fixed Income Securities	(Ledger #1550)

Make the following journal entry for Interest Due and Accrued, as of December 31st of the **current** year:

b	DEBIT Interest Due and Accrued on Fixed Income Securities	(Ledger #1550)
	CREDIT Investment Income	(Ledger #4820)

When unrealized gains or losses (changes in market values) occur, or are reported in the Investment Manager's Monthly/or Quarterly Report, an entry must be made to reflect that increase or decrease in market value.

To record unrealized gains:

c	DEBIT Equities	(Ledger #1170)
	CREDIT Unrealized Gain (Increase in Market Value)	(Ledger #4886)

To record unrealized losses:

d	DEBIT Unrealized Loss (Decrease in Market Value)	(Ledger #4887)
	CREDIT Fixed Income Securities	(Ledger #1180)

For members who retire during the month, transfer the member’s account from the Annuity Savings Fund (ASF) to the Annuity Reserve Fund (ARF). The member is no longer active, and no deductions or contributions will be taken. Upon retirement, the Annuity portion of the Member’s pension will come from the Annuity Reserve Fund.

To transfer balance in ASF to ARF when a member retires.

e	DEBIT Annuity Savings Fund	(Ledger #3293)
	CREDIT Annuity Reserve Fund	(Ledger #3294)

Determine whether there are any Accounts Receivable or Accounts Payable. Enter all Accounts Receivable and Accounts Payable on Schedule A of the Annual Statement.

To record Receivables:

f	DEBIT Accounts Receivable	(Ledger #1398)
	CREDIT Appropriate Accounts	

To record Payables:

g	DEBIT Appropriate Accounts	
	CREDIT Accounts Payable	(Ledger #2020)

To record Annuity Reserve Interest:

h	DEBIT Investment Income	(Ledger#4821)
	CREDIT Annuity Reserve Fund	(Ledger #3294)

Adjusting Entries: Errors

In any given month, it may be necessary to make adjusting entries to correct errors found in the previous month’s journals or account funds, etc. Please check the typical balance (debit or credit) for the account you are correcting.

Chart 3.1: Trial Balance Report as of December 31, 2007

Dr. = Debit Cr. = Credit
 ● = Adjusting Journal Entries ■ = Closing Entries

Description	Account Number	Pre-closing Trial Balance	Adjusting Journal Entries	Adjusted Trial Balance	Closing Journal Entries	Post Closing Trial Balance
Assets						
Cash	1040-49			Sch 1		
Short Term Investments	1100			Sch 2		
Pooled Short Term Funds	1101			↓		
Equities	1170		Dr. ●	Sch 4A,B,C		
Pooled Domestic Equity Trust	1172			Sch 5		
Pooled International Equity Funds	1173			↓		
Pooled Global Equity Funds	1174			Sch 3A, B, C		
Fixed Income Securities (Market Value)	1180		Cr. d	Sch 5		
Pooled Domestic Fixed Income Fund	1181			↓		
Pooled International Fixed Income Fund	1182			Sch A		
Pooled Global Fixed Income Funds	1183					
Pooled Private Equity (Venture Capital)	1193					
Pooled Real Estate Funds	1194					
Pooled Domestic Balanced Funds	1195					
Pooled International Balanced Funds	1196					
Options	1197					
PRIT Cash Fund	1198					
PRIT Capital Fund	1199					
Accounts Receivable Control Account	1398		Dr. f	Sch A		
Interest/Dividends Due & Accrued	1550		Cr. a Dr. b			
Sub Totals						
Accounts Payable						
Accounts Payable	2020		Cr. g	Sch A		
Sub Totals						
Funds						
Annuity Savings Fund Control Account	3293		Dr. e	Various	1 2 12	
Annuity Reserve Fund	3294		Cr. e + Cr. h		3 12	
Special Military Service Credit Fund	3295				9 12	
Pension Fund Control Account	3296				4 5	
Pension Reserve Fund Control	3297				6 12	
Expense Fund	3298				7 8 12	
Sub Totals				Page 3		

Chart 3.2: Trial Balance Report as of December 31, 2007

Dr. = Debit Cr. = Credit
 ● = Adjusting Journal Entries ■ = Closing Entries

<u>Description</u>	<u>Account Number</u>	<u>Pre-closing Trial Balance</u>	<u>Adjusting Journal Entries</u>	<u>Adjusted Trial Balance</u>	<u>Closing Journal Entries</u>	<u>Post Closing Trial Balance</u>
Receipts						
Investment Income Control	4820		Dr. a Cr. b		10 11 12	
Investment Income Received	4821		Dr. h	Page 6	11	
Interest Not Refunded	4822			Page 2, 6	6	
Paid Accrued Interest on Fixed Inc. Sec.	4823			Page 6	10	
Miscellaneous Income	4825			Page 2	6	
Mil. Svc. Funds Ret.to Municipality	4880					
Profit on Sale of Investments	4884			Page 6	11	
Loss on Sale of Investments	4885			Page 6	10	
Increase in Market Value (Unrealized)	4886		Cr. c	Page 6	11	
Decrease in Market Value (Unrealized)	4887		Dr. d	Page 6	10	
Contrib. Rec'd for Military Service	4890			Page 5	9	
Members' Deductions	4891			Page 4	1	
Transfers from Other Systems	4892				1	
Members' Make Up & Redeposits	4893				1	
Member Payments from Rollovers	4900				1	
Pension Fund Appropriation	4894				5	
Pension Reserve Appropriation	4895				6	
Expense Fund Appropriation	4896				8	
Federal Grant Reimbursement	4897				6	
3(8)(c) Reimbursement from Other Systems	4898				5	
Received from Comm. for COLA & Sur.	4899				5	
Sub Totals						
Disbursements						
Board Member Stipend	5118			Page 5	7	
Staff Salaries	5119				7	
Management Fees	5304				7	
Custodial Fees	5305				7	
Investment Consultant Fees	5307				7	
Legal Expenses	5308				7	
Medical Expenses	5309				7	
Fiduciary Insurance	5310				7	
Service Contracts	5311				7	
Rent Expense	5312				7	
<i>(continued on page 15)</i>						

Chart 3.3: Trial Balance Report as of December 31, 2007

Dr. = Debit Cr. = Credit
 ● = Adjusting Journal Entries ■ = Closing Entries

Description	Account Number	Pre-closing Trial Balance	Adjusting Journal Entries	Adjusted Trial Balance	Closing Journal Entries	Post Closing Trial Balance
Administrative Expenses	5589			Page 5	7	
Furniture & Equipment	5599				7	
Travel	5719				7	
Annuities Paid	5750				3	
Pensions Paid	5751				4	
COLAs Paid	5752				4	
Chapter 389 Beneficiary Increase Paid	5753				4	
3(8)(c) Reimbursement to Other Systems	5755				4	
Transfers to Other Systems	5756				2	
Refunds to Members	5757				2	
Option B Refunds	5759				3	
Sub Totals						
Subsidiary Accounts						
Regular Pension Payments	9001					
Survivorship Payments	9002					
Ordinary Disability Payments	9003					
Accidental Disability Payments	9004					
Accidental Death Payments	9005					
Section 101 Benefits	9006					
Other Pension - Non-Contributory	9007					
Cash Income	9010					
Short Term Investments Income	9011					
Fixed Income Securities Income	9012					
Equities Income	9013					
Mutual/Commingled R/E Fund Inc	9014					
Mutual/Commingled Venture Cap	9015					
PRIT Cash Fund Income	9016					
PRIT Capital Fund Income	9017					
Commission Recapture	9020					
Pooled Fund	9021					
Invest Income Credited to Members Accts.	9030					
Invest Income Credited Annuity Reserve Fund	9031					
Invest Income Credited Military Service Fund	9032					
Excess Investment Income	9033					
Investment Income to Expense	9034					
Pension Paid Subsidiary Control	9100					
Investment Income Subsidiary Control	9110					
Investment Income Subsidiary Control	9130					
Prior Year Due and Accrued Control	9200					
Prior Year Due and Accrued	9210					
Sub Totals						
Grand Totals		\$				

Year End Closing Entries

Closing Entries

Before you close out the subsidiary accounts to their proper funds, use their balances to compile the Receipts and Disbursements Pages of the *Annual Statement*. Once this has been completed, you may make the following closing entries:

1	DEBIT Members' Deductions	(Ledger #4891)
	DEBIT Transfers from Other Systems	(Ledger #4892)
	DEBIT Member Make Up Payments & Redeposits	(Ledger #4893)
	DEBIT Member Payments from Rollovers	(Ledger #4900)
	CREDIT Annuity Savings Fund	(Ledger #3293)
2	DEBIT Annuity Savings Fund	(Ledger #3293)
	CREDIT Refunds to Members	(Ledger #5757)
	CREDIT Transfer to Other Systems	(Ledger #5756)
3	DEBIT Annuity Reserve Fund	(Ledger #3294)
	CREDIT Annuities Paid	(Ledger #5750)
	CREDIT Option B Refunds	(Ledger #5759)
4	DEBIT Pension Fund	(Ledger #3296)
	CREDIT Pensions Paid	(Ledger #5751)
	CREDIT 3(8)(c) Reimbursement to Other Systems	(Ledger #5755)
	CREDIT COLAs Paid	(Ledger #5752)
	CREDIT Chapter 389 Benefits Paid	(Ledger #5753)
5	DEBIT 3(8)(c) Reimbursements from Other Systems	(Ledger #4898)
	DEBIT Received from Comm. for COLAs and Chapter 389 Paid	(Ledger #4899)
	DEBIT Pension Fund Appropriation	(Ledger #4894)
	CREDIT Pension Fund	(Ledger #3296)
6	DEBIT Federal Grant Reimbursement	(Ledger #4897)
	DEBIT Pension Reserve Appropriation	(Ledger #4895)
	DEBIT Interest Not Refunded	(Ledger #4822)
	DEBIT Miscellaneous Income	(Ledger #4825)
	CREDIT Pension Reserve Fund	(Ledger #3297)

7

DEBIT Expense Fund	(Ledger #3298)
CREDIT Board Member Stipend	(Ledger #5118)
CREDIT Salaries	(Ledger #5119)
CREDIT Legal Expenses	(Ledger #5308)
CREDIT Medical Expenses	(Ledger #5309)
CREDIT Fiduciary Insurance	(Ledger #5310)
CREDIT Service Contracts	(Ledger #5311)
CREDIT Rent Expense	(Ledger #5312)
CREDIT Travel	(Ledger #5719)
CREDIT Administrative Expenses	(Ledger #5589)
CREDIT Furniture and Equipment	(Ledger #5599)
CREDIT Management Fees	(Ledger #5304)
CREDIT Custodial Fees	(Ledger #5305)
CREDIT Consultant Fees	(Ledger #5307)

8

THIS ENTRY IS ONLY FOR SYSTEMS THAT STILL HAVE AN EXPENSE FUND APPROPRIATION

DEBIT Expense Fund Appropriation	(Ledger #4896)
CREDIT Expense Fund	(Ledger #3298)

9

DEBIT Special Fund for Military Service Credit	(Ledger #4890)
CREDIT Special Fund for Military Service Credit	(Ledger #3295)

10

DEBIT Investment Income	(Ledger #4820)
CREDIT Paid Accrued Interest on Fixed Income Securities	(Ledger #4823)
CREDIT Realized Loss/Loss on Sale of Investments	(Ledger #4885)
CREDIT Unrealized Loss	(Ledger #4887)

11

DEBIT Investment Income Received	(Ledger #4821)
DEBIT Realized Gain/Profit on Sale of Investments	(Ledger #4884)
DEBIT Unrealized Gain	(Ledger #4886)
CREDIT Investment Income	(Ledger #4820)

Close the Investment Income Account to the Annuity Savings, Annuity Reserve, Expense, and Military Service Funds for the amount of interest required for these funds, with the balance going into the Pension Reserve Fund:

12

DEBIT Investment Income	(Ledger #4820)
CREDIT Annuity Savings Fund	(Ledger #3293)
CREDIT Annuity Reserve Fund*	(Ledger #3294)
CREDIT Special Fund For Military Service	(Ledger #3295)
CREDIT Expense Fund**	(Ledger #3298)
CREDIT Pension Reserve Fund	(Ledger #3297)

* Use the worksheet on page 18 for the calculation of interest for the Annuity Reserve Fund.

** Transfer the exact amount that will result in a zero balance in the Expense Fund.

Annuity Reserve Interest Calculation

To calculate interest required for the Annuity Reserve Fund (3294), begin with the balance on December 31st of the prior year. Subtract from that balance any debits such as annuities paid (5750), option B refunds paid (5759) , and any transfer resulting from a surplus in the Annuity Reserve Fund (3294). Next, add any credits such as transfers from the Annuity Savings Fund, and any transfer resulting from a deficit in the Annuity Reserve fund. Then multiply each monthly balance by .0025. Lastly, enter the total of the **12 months' interest** as an adjusting entry, and add it to the balance of December 31st of the statement year.

	Debit Balance 5750	5759	Transfers Out	Credit Balance 3294	Transfers In	Balance	x .0025
December 31st (Prev Yr.)							
January 31st							
February 28th							
March 31st							
April 30th							
May 31st							
June 30th							
July 31st							
August 31st							
September 30th							
October 31st							
November 30th							

DEBIT Investment Income (Ledger #4821)
CREDIT Annuity Reserve Fund (Ledger #3294)

Chart 4.1: Post-closing Trial Balance Report as of December 31, 2007*

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		Debits	Credits
Assets		\$	\$
Cash	1040-49		
Short Term Investments	1100		
Pooled Short Term Funds	1101		
Equities	1170		
Pooled Domestic Equity Trust	1172		
Pooled International Equity Funds	1173		
Pooled Global Equity Funds	1174		
Fixed Income Securities (Market Value)	1180		
Pooled Domestic Fixed Income Fund	1181		
Pooled International Fixed Income Fund	1182		
Pooled Global Fixed Income Funds	1183		
Pooled Private Equity (Venture Capital)	1193		
Pooled Real Estate Funds	1194		
Pooled Domestic Balanced Funds	1195		
Pooled International Balanced Funds	1196		
Options	1197		
PRIT Cash Fund	1198		
PRIT Capital Fund	1199		
Accounts Receivable Control Account	1398		
Interest/Dividends Due & Accrued	1550		
Sub Totals			
Accounts Payable			
Accounts Payable	2020		
Sub Totals			
Funds			
Annuity Savings Fund Control Account	3293	2	1 12
Annuity Reserve Fund	3294	3	12
Special Military Service Credit Fund	3295		9 12
Pension Fund Control Account	3296	4	5
Pension Reserve Fund Control	3297		6 12
Expense Fund	3298	7	8 12
Sub Totals			

*Keep as permanent record for audit purposes.

Chart 4.2: Post-closing Trial Balance Report as of December 31, 2007*

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		Debits	Credits
Receipts			
Investment Income Control	4820 10 12		11
Investment Income Received	4821 11		
Interest Not Refunded	4822 6		
Paid Accrued Interest on Fixed Inc. Sec.	4823		10
Miscellaneous Income	4825 6		
Mil. Svc. Funds Ret. to Municipality	4880		
Profit on Sale of Investments	4884 11		
Loss on Sale of Investments	4885		10
Increase in Market Value (Unrealized)	4886 11		
Decrease in Market Value (Unrealized)	4887		10
Contrib. Rec'd. for Military Service	4890 9		
Members' Deductions	4891 1		
Transfers from Other Systems	4892 1		
Members' Make Up & Redeposits	4893 1		
Member Payments from Rollovers	4900 1		
Pension Fund Appropriation	4894 5		
Pension Reserve Appropriation	4895 6		
Expense Fund Appropriation	4896 8		
Federal Grant Reimbursement	4897 6		
3(8)(c) Reimbursement from Other Systems	4898 5		
Received from Comm. for COLA & Sur.	4899 5		
Sub Totals			
Disbursements			
Board Member Stipend	5118		7
Staff Salaries	5119		7
Management Fees	5304		7
Custodial Fees	5305		7
Investment Consultant Fees	5307		7
Legal Expenses	5308		7
Medical Expenses	5309		7
Fiduciary Insurance	5310		7
Service Contracts	5311		7
Rent Expense	5312		7

(continued on page 21)

*Keep as permanent record for audit purposes.

Chart 4.2: Post-closing Trial Balance Report as of December 31, 2007*

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		Debits	Credits
Administrative Expenses	5589		7
Furniture & Equipment	5599		7
Travel	5719		7
Annuities Paid	5750		3
Pensions Paid	5751		4
COLAs Paid	5752		4
Chapter 389 Beneficiary Increase Paid	5753		4
3(8)(c) Reimbursement to Other Systems	5755		4
Transfers to Other Systems	5756		2
Refunds to Members	5757		2
Option B Refunds	5759		3
Sub Totals			
Subsidiary Accounts			
Regular Pension Payments	9001		
Survivorship Payments	9002		
Ordinary Disability Payments	9003		
Accidental Disability Payments	9004		
Accidental Death Payments	9005		
Section 101 Benefits	9006		
Other Pension – Non-Contributory	9007		
Cash Income	9010		
Short Term Investments Income	9011		
Fixed Income Securities Income	9012		
Equities Income	9013		
Mutual/Commingled R/E Fund Inc.	9014		
Mutual/Commingled Venture Cap	9015		
PRIT Cash Fund Income	9016		
PRIT Capital Fund Income	9017		
Commission Recapture	9020		
Pooled Fund	9021		
Invest Income Credited to Members Accts.	9030		
Invest Income Credited Annuity Reserve Fund	9031		
Invest Income Credited Military Service Fund	9032		
Excess Investment Income	9033		
Investment Income to Expense	9034		
Pension Paid Subsidiary Control	9100		
Investment Income Subsidiary Control	9110		
Investment Income Subsidiary Control	9130		
Prior Year Due and Accrued Control	9200		
Prior Year Due and Accrued	9210		
Sub Totals			
Grand Totals	\$		\$

*Keep as permanent record for audit purposes.

Notes
